COMMONWEALTH OF VIRGINIA

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES

FAMIS
Data Book and Capitation Rates
Fiscal Year 2008

Submitted by:

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June 2007

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June 20, 2007

Mr. William Lessard
Department of Medical Assistance Services
600 East Broad Street, Suite 1300
Richmond, VA 23219

Dear Bill:

Re: FY 2008 FAMIS Data Book and Capitation Rates

The enclosed report provides a detailed description of the methodology used for calculating capitation rates for the Virginia Medicaid FAMIS program for FY 2008. The methods used for calculating these costs are consistent with Centers for Medicare and Medicaid Services and State Children's Health Insurance Program requirements.

Please call Sandi Hunt at 415/498-5365 or Susan Maerki at 415/498-5394 if you have any questions regarding these capitation rates.

Very Truly Yours,

PricewaterhouseCoopers LLP

Sandra S. Hunt

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Data Book and Capitation Rates

Fiscal Year 2008

Prepared by PricewaterhouseCoopers LLP

June 2007

PricewaterhouseCoopers LLP (PwC) has calculated capitation rates for the Virginia Family Access to Medical Insurance Security (FAMIS) program for State Fiscal Year 2008. We use data submitted by the contracting health plans to estimate the cost of providing services. The development of these rates is shown in the attached spreadsheets, with final capitation rates shown in Exhibits 5a – 5b.

Capitation rates for FAMIS will vary based on the following criteria:

- **Age.** Capitation rates will be paid separately for the following age groups: Under 1, 1-5, 6-14, 15-18 Female, and 15-18 Male.

- **Program.** FAMIS operates as a commercial program and is modeled on the Virginia State Employees health program benefit structure and includes member co-payment requirements. FAMIS began operation in selected counties in FY 2002. There are separate rates for those under and over 150% of the Federal Poverty Level.

I. FAMIS Program Description

The State Children's Health Insurance Program (SCHIP) was promulgated under Title XXI of the Social Security Act through the Balanced Budget Act of 1997. This federal legislation authorized states to expand child health insurance to uninsured, low-income children through either or both a Medicaid expansion and a commercial-like health plan with comprehensive benefits.

Virginia began its SCHIP program, called Children's Medical Security Insurance Plan (CMSIP), in October 1998 modeled on the Medicaid program. The program covered

eligible children from birth through age 18 in families with income at or below 185% of the federal poverty level. Legislation to change CMSIP to a more commercially-based model was passed in 2000.

The program transitioned to the Family Access to Medical Insurance Security (FAMIS) in August 2001 with health plan enrollment beginning in December 2001.

The FAMIS program covers eligible children from birth through age 18 in families with income at or below 200% of the Federal Poverty Level. Both a centralized eligibility processing unit and Local Departments of Social Services work together to create a "no wrong door" process that simplifies eligibility determination, resulting in a streamlined and shorter application process. The 12-month waiting period for persons who dropped health insurance was ultimately reduced to 4 months. Health care services are delivered through managed health care insurance programs and fee-for-service.

The FAMIS benefit package is designed to be equivalent to the benefit package offered to State employees as of August 2001 and includes expanded well-baby, well-child care, dental, and vision services. Enrollees share in the cost of certain services through limited co-payments similar to commercial health plan practices. The following table shows the schedule of co-payments for children in families above and below 150% federal poverty level.

FAMIS Cost Sharing Requirements By Service		
	Cost Sharing	
	>150% FPL	<=150% FPL
Service		
Office Visit Copay	$5.00	$2.00
Specialist Copay	$5.00	$2.00
IP Copay/Admit	$25.00	$15.00
Rx	$5.00	$2.00
Annual Co-payment Maximum	$350	$180

As required by Title XXI, cost sharing will not exceed 5% of a family's gross income for families with incomes from 150% to 200% of poverty. Cost sharing will not exceed 2.5% of gross income for families with incomes below 150% of poverty.

II. Federal Rate Setting Requirements

Title XXI does not impose specific rate setting requirements on states. Consequently, unlike Medicaid Managed Care programs that operate under Title XIX, states have significant flexibility in their approach to determining appropriate payment rates. Similar to most states, Virginia has chosen to mirror the Medicaid rate setting methodology for FAMIS, with appropriate adjustments to recognize differences in the covered population and the goals of the program. The FAMIS per member per month calculation relies on the analysis of health plan data submissions for this enrolled population with adjustments that would meet the test of actuarial soundness.

III. Data Book

In this section we describe the data available to PwC for developing the capitation rates, the process used for selecting the claims and the individuals that are ultimately included in the rate development process. Some adjustments that are made to the data in the early stages of the rate development process are also described in this section.

The following sources were used for the FAMIS rate setting calculations:

- Eligibility information from the Department of Medical Assistance Services (DMAS);
- Health plan claims/encounter data for their FAMIS population;
- For some components of the analysis, health plan financial data; and
- For some components of the analysis, other health plan administrative data.

The historical data period is FY 2005 and FY 2006 which covers services incurred during the period July 1, 2004 to June 30, 2006. These data reported services paid during this two-year period and additional runout for the first four months of FY 2007, to the end of October 2006.

Supplemental health plan data are used for certain portions of the analysis. Specifically, we incorporated health plan data on:

- Observed trends in utilization and cost per unit of service;
- Capitation arrangements with subcontractors;
- Supplemental payments, such as physician incentives and case management fees, not reflected in the encounter data;
- Prescription drug purchasing arrangements; and
- Health plan administrative costs.

The service categories are those that were developed for the FY 2005 rate setting and further modified for FY 2006. There have been no changes to the service category definitions since then. These service categories are primarily defined by bill type, CPT, and revenue code fields in the claims records.

In this summarization process, unit counts were made for each service category. Table 1, Service Unit Definitions, describes the types of units that were counted for each detailed service category. In the table, "Units" indicates the actual unit counts that were recorded on each claim. "Claims" or "Prescriptions" or "Record Counts" refers to a count of "1" for each claim record in the historical database. This count is used for services in which recorded units are not meaningful, such as for pharmacy where the units recorded are often the number of pills dispensed. "Admits" are used for inpatient units, and represent the number of inpatient admits that were paid by the program.

Table 1

Service Unit Definitions

Service Category	Unit Count	Multiple Units
DME/Supplies	Claims	
FQHC/RHC	Units	Yes
Home Health Services	Claims	
Inpatient – Maternity	Admits	
Inpatient – Newborn	Admits	
Inpatient – Other Med/Surg	Admits	
Inpatient – Psych	Days	
Lab	Record Count	
Outpatient – Emergency Room	Claims	
Outpatient – Other	Claims	
Pharmacy	Prescriptions	
Professional – Anesthesia	Units	Yes
Professional – Child EPSDT	Units	Yes
Professional – Evaluation & Management	Units	Yes
Professional – Maternity	Units	Yes
Professional – Other	Units	Yes
Professional – Psych	Units	Yes
Professional – Specialist	Units	Yes
Professional – Vision	Units	Yes
Radiology	Record Count	Yes
Transportation	Claims	

The claims and eligibility information used in this report includes data only for FAMIS recipients who are eligible for the program based on their eligibility category and service use during the data period.

FAMIS rates are developed as four rate cells with separate co-payment adjustments. Historical claims data for the total FAMIS kids population, both the <=150% FPL and the >150% FPL, are combined, adjusted, and trended. The final adjustment is the difference in the co-payment schedules for the two income groups and then the administrative cost factor is applied.

Review of the Health Plan Claims/Encounter Data

The health plan encounter data review was conducted in six major steps.

1. Verification of health plan data submission
2. Edit of records for logical exclusions
3. Edit of records against DMAS eligibility file
4. Summary of health plan fee-for-service paid claims
5. Addition of capitated and subcontractor services
6. Aggregation of data across all health plans

Review of the health plan data was performed separately for each plan. As a first step the detailed claims data were converted to summary reports to provide comparison to the data request and confirmation that PwC received the expected data. Information was provided to the health plans regarding record and payment totals for each separate record type (e.g., UB92, CMS1500, pharmacy, subcontractors). The health plan reports also provided a general assessment of data quality, including beginning and end dates of service, the extent of missing variables and confirmation of the interpretation of plan-specific coding and variables in the data sets.

Two sets of edits were applied to each health plan's submitted data. The first edit tested for logical conditions for the historical data period. The logical condition tests and the processing decisions were:

1. Claims that were duplicates, pended or rejected during claims processing were removed.
2. Claims with dates of service outside the FY 2005 to FY 2006 period were removed.

3. Claims with paid amounts of $0.00 were included if the service was provided under a health plan capitation contract. It was deleted if it was a service that was paid under fee-for-service payment arrangements, as they would contribute no value to the capitation rate development, but would have distorted unit counts.

The second level of edit compared the cleaned health plan claims/encounter records to the eligibility file provided by DMAS. The DMAS eligibility file, rather than the demographic information coded on the claim record, determined whether the claim record was retained. The processing determinations were:

4. Claims matched to member eligibility with missing or invalid demographic or geographic information were removed.

5. Claims for members enrolled in the Medallion II program were removed.

6. Claims matched to FAMIS member eligibility periods outside the FY 2005 to FY 2006 period were removed.

7. Newborns are identified through the standard claims edit process and by comparison to a newborn crosswalk provided by each health plan that permits identification of FAMIS member months and the claims incurred by newborns that were originally submitted under the mother's ID number or under a temporary ID.

Each health plan's data was then summarized by service type, the FAMIS rate cell categories for under and over 150% FPL and age-sex. This summarization was done only for those services that were paid by the health plans on a fee-for-service basis. The capitated and subcontractor service dollars and encounter information were added in a second step. Each plan's subcontractor services and payments were reviewed with health plan representatives and appropriate amounts were added to the base data.

Individual plan reports were sent to the health plans for review and approval. The reports provided the health plan claims/encounter data, with all adjustments by rate cell.

Inclusion of Health Plan Capitated and Subcontractor Services

The vast majority of the encounter records submitted by each of the health plans were paid under fee-for-service arrangements. The records included both charged and paid amounts and could be readily analyzed.

However, each health plan also had services that were paid, in part or in full, under capitation or subcontractor arrangements. For these services, health plans submitted data in a variety of forms. Each health plan provided a list of services that were provided under such arrangements and the pricing of the services on a PMPM basis. The PMPM

amount represented either the actual contractual PMPM paid, or the contractual total dollar payments divided by the covered member months for the time period.

The financial information may or may not have been accompanied by encounter data for those services. All health plans submitted complete claims data for outpatient pharmacy services. Not all of the health plans provided encounter data for laboratory, vision, and mental health, the other service categories that were most often capitated. Therefore, while dollars for the capitated and subcontractor services are incorporated into the historical data, utilization is undercounted and measures such as utilization rates and cost per unit for these services are unreliable.

Behavioral and Mental Health Capitated Subcontractor Services

Capitation payments for behavioral and mental health services were distributed differently than other reported capitated services. Depending on the health plan, mental health services are reported as either FFS paid claims or as capitation amounts for contracted services. In past rate settings, FFS claims were applied to the appropriate inpatient or professional psych service line, but all capitated dollars were included in the Professional-Psych service line with dollars allocated based on the member month distribution between rate cells.

For the health plans that capitate psychiatric services (CareNet, Optima, and UniCare), the capitated mental health data is provided as total dollars or an aggregate PMPM with limited detail by service type (inpatient vs. professional) or program (Medallion II vs. FAMIS). Approximately 52% of mental health dollars are represented by the plans that capitate these mental health services.

We analyzed mental health claims level detail provided by the three plans that do not capitate, Anthem (including UniCare since January 2006), Virginia Premier, and AmeriGroup, by service type and aid category.

Analysis of the distribution of Medallion II mental health FFS encounter data showed substantial differences in the total PMPM between ABAD and TANF and the distribution of inpatient and outpatient services within each major aid category. Overall, the historical encounter FFS paid claims showed the ABAD mental health PMPM was approximately ten times the TANF mental health PMPM, or $32.83 PMPM compared to $3.70 PMPM. For ABAD, the distribution of dollars was 77.2% inpatient and 22.8% professional while the TANF distribution was 47.0% inpatient and 53.0% professional. An analysis of the data for the FAMIS population exhibited costs similar to TANF.

The factors developed for the TANF population were used for the FAMIS population and the ratios applied to each plan's reported mental health capitation payments to derive the TANF/FAMIS mental health PMPM and to modify the individual historical data reports for the three health plans that capitate mental health services. The modified reports were then aggregated for the historical data.

Historical Health Plan Encounter Data

The resulting historical claims and eligibility data were tabulated by service category and are shown in Exhibit 1, which are generally referred to as the "Data Book". These exhibits show unadjusted historical data, with the exception of the adjustments described above, and are the basis of all future calculations described here. These exhibits show, for informational purposes:

- Member months for fiscal years 2005 and 2006;
- Total dollar value of claims and capitated services for fiscal years 2005 and 2006; and
- Costs per member per month (PMPM) for fiscal years 2005 and 2006.

IV. Capitation Rate Calculations

The capitation rates for FY 2008 are calculated based on the historical data shown in Exhibit 1 adjusted to reflect changes in payment rates and covered services. Each adjustment to the historical data is described in the following section. The adjustments are applied to the historical data and resulting capitation rates are presented in Exhibits 5a and 5b.

The steps used for calculating the capitation rates are as follows:

1. The combined FY 2005 and FY 2006 historical data for each rate cell and service category are brought forward to Exhibit 4 from the corresponding rate cell in Exhibit 1. This information serves as the starting point for the capitation rate calculation.

2. A number of changes in covered services and payment levels have been mandated by the Legislature. Each of these adjustments, as well as adjustments for other services not included in the source data, is described in detail below under Section V, and is shown in Exhibits 2a – 2l.

3. The claims data are adjusted to reflect the expected value of any Incurred But Not Reported (IBNR) claims and to update the data to the FY 2008 contract period. These adjustments are described in Section VI, and are shown in Exhibit 3. The resulting claims are shown in Exhibit 4 under the column "Completed & Trended Claims".

4. The adjusted claims costs from Step 3 are divided by the count of member months for each rate cell (from Exhibit 1) to arrive at preliminary PMPM costs by service category.

5. The PMPM costs are summarized by rate cell across all service categories to arrive at the cost for each rate cell.

6. An adjustment is made to reflect the differences in the co-payment schedule applicable to FAMIS members below and above 150% of the Federal Poverty Level. Co-payment adjustments are made for major service categories; they are not added for all individual claims that different health plans may require collection of co-payments.

7. An adjustment is made to reflect average health plan administrative costs of 8.66%. The derivation of this value is included in the Adjustments described in Section V.

V. Legislative and Program Adjustments

Changes in the FAMIS program due to legislation and policy changes for FY 2005 and later must be reflected in the development of per capita rates as the data used to develop rates does not fully include the effect of those changes. These are described in the following section.

The historical data presented in Exhibit 1 is adjusted by the policy and program factors described in this section (Exhibits 2a to 2l) and the Trend and IBNR factors (Exhibit 3).

Pharmacy Adjustment

The outpatient prescription drug adjustment is based on FAMIS health plan data, taking into consideration aspects of pharmacy management used in the Virginia Medicaid FFS system and best practices observed in other state Medicaid managed care programs. Each health plan provided data on the level of rebate, pricing discounts, dispensing fees, and administration fees. Among the considerations in the calculations were the collection of pharmacy co-payments in the FAMIS program and the common use of Preferred Drug Lists and Drug Utilization Review among managed care plans.

The initial calculation uses health plan data, with factors for discounts, rebates, dispensing fee, Pharmacy Benefit Management (PBM) fees, and member co-payments to determine an adjusted amount PMPM.

For FY 2008, there is no reduction to reflect expected improvements in the brand-generic mix. This is a change from the 1.5% reduction applied in the FY 2007 rate setting process. Review of the brand-generic mix of prescription drugs showed increasing use of generic drugs and the attained generic proportion, approximately 53% of the prescriptions, is similar to that observed as best practice in other state Medicaid and S-CHIP managed care programs.

The final pharmacy adjustment factors are shown in Exhibit 2a. The PBM factor is a reduction of -4.4%.

OB-GYN Professional Fee Increase Adjustment

This adjustment incorporates two months of the 34% fee increase adjustment effective September 1, 2004 and applies it to approximately 6% of historical claims prior to that date. It also includes the OB-GYN 2.5% professional fee increase applied to health plan rates effective July 1, 2006. The cumulative impact of these two rate increases is an adjustment of 4.8% for the Professional-Maternity services line and a lower amount for three other service lines, FQHCs/RHCs, Professional-Specialist, and Radiology.

Adjustment values by service categories are shown in Exhibit 2b. These adjustments are applied to the total historical claims data in Exhibit 4 under the column labeled "Other Adjustments".

Emergency Department Professional Fee Increase Adjustment

The adjustment passes through the 3% FFS increase for ER professional services applied to health plan rates effective July 1, 2006. Because this fee increase was not in place for the historical data periods, the increase is applied to the full base period.

The adjustment is shown in Exhibit 2c and applied to the total historical claims data in Exhibit 4 under the column labeled "Other Adjustments".

Evaluation and Management Professional Fee Increase Adjustment

Professional fees for pediatric evaluation and management services were increased by 5% in the FFS program effective May 1, 2006. A second increase of 5% was adopted by the Legislature effective July 1, 2006. There is a further 10% increase for pediatric services with an effective date of July 1, 2007. The increases are applied to the entire historical data period. Emergency Department codes are excluded from these increases.

The adjustment is shown in Exhibit 2d and applied to the total historical claims data in Exhibit 4 under the column labeled "Other Adjustments".

Professional Fee Increase Adjustment (Excluding Pediatric and OB-GYN)

The adjustment passes through the FFS increase of 5% for all remaining professional services effective July 1, 2007. This increase excludes pediatric E&M and the OB-GYN services that were subject to increases in the fee schedule that are incorporated as previously described adjustments.

This adjustment is shown in Exhibit 2e and is applied to Professional-E&M, Professional-Specialist and All Other Professional service lines in Exhibit 4 under the column labeled "Other Adjustments".

Exempt Infant Formula Carveout Adjustment

DMAS is altering its policy regarding reimbursement of selected formula for infants with diseases of inborn errors of metabolism and will now request direct billing for those services. The health plans have referred members to the Woman, Infants, and Children (WIC) program for these services, but have paid for members after the WIC maximum is reached. This adjustment removes the amount that the health plans pay for selected formulas after children up to age 19 have met the WIC cap. For FY 2007, the exempt formula adjustment was applied to children up to age 6; for FY 2008, it is applied to all children up to age 19. DMAS provided a list of HPICS codes to identify these services.

The value of these services has been removed for FAMIS children up to age 19 and is shown in Exhibit 2f. It is applied to the DME/Supplies service line in Exhibit 4 under the column labeled "Other Adjustments".

Other Immunizations

The Center for Disease Control and Prevention (CDC) has issued updated and new recommendations for pediatric and adolescent immunizations. Recommendations that went into effect after the historical data period used for the rate setting include:

1. The new rotavirus vaccine is recommended in a 3-dose schedule at ages 2, 4, and 6 months.

2. The influenza vaccine is now recommended for all children aged 6-59 months. Previously the recommendation extended only to children aged 6-59 months with certain risk factors.

3. Varicella vaccine recommendations are updated. The first dose should be administered at age 12-15 months, and a newly recommended second dose should now be administered at age 4-6 years.

4. Meningococcal vaccine is recommended for all children at the 11-12 year old visit, as well as for unvaccinated adolescents at high school entry (15 years of age).

The adjustment assumes that: 1) The new recommendations can be accommodated within the current pediatric and adolescent vaccination schedules and new costs include both serum and administration, 2) Health plans will achieve compliance rates comparable to those reported to DMAS on the EQRO reports. This is 68% for children 2 years old and 34.5% for adolescents. The 68% compliance rate was assumed applicable for children up to 6 years old, and 3) The distribution of ages within a rate cell is equal.

Based on these assumptions, we estimate that the value of a new immunization schedule adjustment ranges from 5.3% to 13.0% of the Professional-E&M service line, depending

on rate cell. This adjustment is shown in Exhibit 2g and is applied to the Professional-E&M service line in Exhibit 4 under the column labeled "Other Adjustments".

HPV Vaccine Adjustment

The CDC recommends that females beginning at age 9 receive the human papillomavirus (HPV) vaccine that has been demonstrated to reduce the risk of the most common causes of cervical cancer. For the FAMIS population, DMAS and the health plans will be responsible for the cost of the serum and administration. The DMAS Medicaid program began to cover the HPV vaccine in December 2006. The vaccine will be mandatory for girls who are at least 11 years old entering school beginning September 1, 2008. For females aged 19 and under, the target penetration is assumed to be 25% with a cost of $131 for each of the three doses in the HPV series.

These assumptions are applied to the female population in the relevant rate cells, resulting in an adjustment of 12.9%. This adjustment is shown in Exhibit 2h and is applied to the Professional-E&M service line in Exhibit 4 under the column labeled "Other Adjustments".

Hospital Inpatient Adjustments

The adjustment factor is calculated relative to the 71.9% cost base that was in place for FY 2005. For medical/surgical inpatient services, this was increased to 76.0% for FY 2006 and then further increased to 78.0% for FY 2007. The inpatient cost factor remains at 78.0% for FY 2008. The adjustment is developed using the increase from 71.9% to 78.0% of cost and is adjusted for a capital component estimated at 10.8%.

There is a separate adjustment for inpatient psychiatric services. The inpatient psychiatric factor is developed using the increase from 71.9% in FY 2005 to an 84.0% cost factor for FY 2008 and also assumes a capital cost component of 10.8%. The inpatient psychiatric factor is applied to mental health claims that are submitted with encounter detail and the allocated inpatient dollars of the behavioral health capitation payments.

These adjustment factors are shown in Exhibit 2i and applied to all hospital inpatient service categories in Exhibits 4 under the column labeled "Other Adjustments".

Rural Wage Index Adjustment

This adjustment eliminates the rural wage index hospital factor. DMAS provided estimates of the value of the increase for the two regions that are affected, Other MSA, and Rural. Because FAMIS rates are developed at the statewide level, an adjustment factor was calculated based on a ratio of the estimated increase and the statewide Medallion II Inpatient-Other service line.

This adjustment factor is shown in Exhibit 2j and applied to the Inpatient-Other service category in Exhibit 4 under the column labeled "Other Adjustments".

Provider Incentive Adjustment

The Provider Incentive Payment Adjustment is applied to take into consideration the various ways that health plans provide incentive payments to providers for their assistance in coordinating care and ensuring access. Depending on the plan, this can include an increase in provider fee schedules, payment of case management fees, and/or provider incentive programs. To the extent that it has been used to increase fee schedules, the amount is already included in the claims and encounter data. Some plans reported the case management and incentive amounts as capitation payments, and other plans did not report any amount beyond the $3.00 PCCM PMPM that has been included in prior rate setting periods. To avoid double counting, the value of the capitation amounts that plans reported as representing those payments is not included in the base data. Their value has been incorporated into the Provider Incentive Payment Adjustment.

This adjustment represents the percentage value of the case management and provider incentive payments that are paid separately from the encounter data. The value of the FAMIS incentive is $3.62 PMPM. Because of the small FAMIS base, this translates to 4.1% of the weighted average PMPM medical cost. This percentage is shown in Exhibit 2k and is presented as the dollar value applicable to rate cell in the line labeled Provider Incentive Payment Adjustment in Exhibit 4.

Plan Administration Adjustment

The plan administrative adjustment for the FAMIS program is calculated similarly to the Medallion II Medicaid managed care program. Each health plan provided revenue and administrative cost data for calendar year 2006, consistent with the information provided to the Virginia Bureau of Insurance on the required form entitled Analysis of Operations by Lines of Business, and as necessary, notes to interpret the financial figures. We also received the Underwriting and Investment Exhibit, Part 3, Analysis of Expenses. Plans were asked to provide additional detail on the portion of state income taxes that were allocated as administrative expense to the Medicaid and FAMIS lines of business and those dollars were excluded from the calculation.

For calendar year 2006, we calculated that plans are spending 8.63% of their capitation revenue to cover administrative expenses. If the administration percentage for calendar 2006 is applied to the projected capitation payments for the 2008 fiscal year, it results in a decrease in the PMPM dollar value of administrative expenses compared to the prior fiscal year. This is due to a decrease in the FY 2008 FAMIS base capitation rate. In order to ameliorate this effect, the 8.63% administrative percentage from calendar year 2006 was applied to the fiscal 2007 FAMIS base capitation rates to determine the administrative expense per member per month if rates were held constant for the 2008 fiscal year. This results in an administrative expense percentage of 8.66% for the upcoming fiscal year, as shown in Exhibit 2l. This adjustment factor is applied in the final step of the per capita cost calculations after the application of the FAMIS co-payment adjustment and is included in the rates shown in Exhibit 5a.

VI. Trend and IBNR Adjustments

The data used for the calculations reflects experience in the Virginia FAMIS program from FY 2005 through FY 2006. Upon request, the health plans provided additional trend data reflecting their experience to December 2006, with claims run out through March 2007. These data must be adjusted to reflect the contract period of FY 2008 through the application of trend rates that reflect changes in payment levels and utilization rates between the data period and the contract period. In addition, the claims data are not 100% "complete" in that some cost information is not available in the claims databases provided. Incomplete data results from the time lag between when services are provided and claims are fully paid. The amount of incomplete claims is referred to as Incurred But Not Reported (IBNR) and can be measured through actuarial models.

Trend and IBNR adjustment factors were developed using monthly historical health plan expenditures for FY 2005 to FY 2006. The historical data were evaluated using a PricewaterhouseCoopers model that calculates IBNR amounts using a variety of actuarially accepted methods, and calculates trend using a least-squares regression methodology. Trend and IBNR factors were developed separately for the following service categories: Inpatient Medical/Surgical, Inpatient Psychiatric, Outpatient Hospital, Practitioner, Prescription Drug, and Other.

We have adjusted the underlying data for calculation of the inpatient hospital trend factors to incorporate the impact due to the DMAS increase in the hospital inpatient operating adjustment factor that occurred during the historical period.

Trend rates must be applied to move the historical data from the midpoint of the data period (July 1, 2005) to the midpoint of the contract period (January 1, 2008), or two and half years (30 months). Data period trend rates for these groups are developed from a regression analysis on the 24 months of historical Virginia health plan data used for these capitation rates. Contract period trend rates are adjusted to reflect our best estimate of trend in the future and are based on historical trends where appropriate. Where we considered the historical trend experience to be an unreliable indicator of future trend, we examined other sources as well as the overall rate of change to derive recommended trend assumptions.

Trend has been developed by examining the FAMIS data, taking into consideration the trend rates that were developed for the FY 2008 TANF Under 21 population in Medallion II.

For inpatient hospital, the low volume of FAMIS inpatient claims was not sufficient to produce a stable trend calculation. For FAMIS inpatient trend, the historical and contract period trend was evaluated in conjunction with the health plan data trend for the Medallion II TANF Under 21 population. The inpatient medical-surgical contract period trend also incorporates a 4.6% unit cost increase for inflation projected in Medicaid FFS.

It is anticipated that the health plans will have to pay inpatient rates that are comparable to the DMAS FFS system in order to retain adequate access to providers. For FAMIS inpatient psych, trend factors are set equal to values calculated for the Medallion II TANF Under 21 population.

Since the data used in this analysis has runout through October 2006, or four months past the end of the data reporting period, the resulting IBNR factors are generally small. IBNR factors for Inpatient Medical/Surgical, Inpatient Psychiatric, Outpatient Hospital, Practitioner, Prescription Drug and Other services are all set to 1.0% or less. The Total Trend rates are calculated using compound interest calculations as a combination of the data period and contract period trends multiplied by (1 + IBNR factor).

The resulting trend factors are shown in Exhibit 3. These trend and IBNR factors are applied to the historical data in Exhibit 4 by applicable service category.

VII. Capitation Rates for FAMIS

Adjustment for FAMIS Co-payment Schedule

The FAMIS benefit package includes collection of member co-payments for inpatient admissions, physician office visits, and outpatient pharmacy services. Each plan was surveyed to determine how these co-payments were administered in their program. Using this information, the historical data for each plan was increased separately for the under and over 150% FPL populations by the value of the co-payments. The total value of the co-payments was added to the historical claims base to arrive at a total cost of services. The co-payment adjustment was applied for major service categories. There are some differences in plan co-payment schedules, such as variation between supply and DME co-payments, which are not applied because of insufficient information or claims detail. The co-payment amount is shown under the column "Patient Copay" in Exhibit 4 for each rate cell.

The final step in developing the capitation rates for FAMIS is to adjust the combined base rates for the under 150% FPL and over 150% FPL. This was done through a factor that valued the differences in the co-payment amount for separate categories relative to the average utilization of the entire FAMIS population. The separate under 150% FPL and over 150% FPL co-payment adjustment values for medical services for each age-sex cell were subtracted from the medical component of the base rate.

The co-payment adjustments for FY 2008 are similar to those that were applied to the FY 2007 FAMIS rate setting. The Copay Value PMPM is subtracted from the combined base rate in Exhibit 5a.

The administrative factor is then added to arrive at the medical component of the capitation rate. These calculations are shown in the last two columns of Exhibit 5a.

VIII. Comparison of FY 2007 and FY 2008 Capitation Rates

The year-to-year comparisons, using FAMIS FY 2007 rates are shown in Exhibit 5b. The weighted average rates are derived from health plan member months as of February 2007.

Taking into consideration the technical calculation performed here, health plan projected revenue requirements, known changes in provider contracting arrangements, the changing nature of the FAMIS program, and other factors, actuarially sound rates fall within a range of several percentage points. Over all eligibility categories, the FAMIS capitation rates calculated for FY 2008 are -1.66% lower for the under 150% FPL and -1.76% lower for the over 150% FPL than the FAMIS rates developed for FY 2007.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development

Health Plan Encounter Data

Historical Eligibility, Claims, and Utilization Data - Family Access to Medical Insurance Security (FAMIS)

Age Under 1												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	12,313	9,936										
Service Type												
DME/Supplies	$20,842	$35,652	$0	$0	$1.69	$3.59	262	273	255	330	$79.55	$130.59
FQHC / RHC	$6,478	$9,502	$0	$0	$0.53	$0.96	255	375	249	453	$25.40	$25.34
Home Health	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Maternity	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Newborn	$589,549	$322,862	$0	$0	$47.88	$32.50	59	43	57	52	$9,992.36	$7,508.42
IP - Other	$445,909	$107,495	$0	$0	$36.21	$10.82	80	53	78	64	$5,573.86	$2,028.21
IP - Psych	$0	$0	$18,906	$8,196	$1.54	$0.82	0	0	-	-	-	-
Lab	$19,037	$10,098	$3,404	$4,863	$1.82	$1.51	1,867	1,411	1,819	1,704	$12.02	$10.60
OP - Emergency Room	$58,625	$48,412	$0	$0	$4.76	$4.87	407	283	397	342	$144.04	$171.07
OP - Other	$243,538	$198,045	$0	$0	$19.78	$19.93	1,316	818	1,283	988	$185.06	$242.11
Pharmacy	$138,019	$155,265	$0	$0	$11.21	$15.63	4,915	3,848	4,790	4,648	$28.08	$40.35
Prof - Anesthesia	$13,507	$14,369	$0	$0	$1.10	$1.45	82	61	80	74	$164.72	$235.55
Prof - Child EPSDT	$229,863	$210,311	$0	$0	$18.67	$21.17	7,670	6,793	7,475	8,204	$29.97	$30.96
Prof - Evaluation & Management	$690,423	$433,306	$2,782	$327	$56.30	$43.64	11,582	8,640	11,287	10,435	$59.85	$50.19
Prof - Maternity	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
Prof - Other	$246,062	$159,940	$1,152	$1,161	$20.08	$16.21	8,889	7,284	8,662	8,797	$27.81	$22.12
Prof - Psych	$67	$83	$21,270	$9,221	$1.73	$0.94	1	9	1	11	$21,337.13	$1,033.82
Prof - Specialist	$52,058	$35,102	$0	$0	$4.23	$3.53	546	388	532	469	$95.34	$90.47
Prof - Vision	$2,752	$2,477	$7,980	$8,701	$0.87	$1.13	89	60	87	72	$120.59	$186.30
Radiology	$13,950	$8,428	$0	$0	$1.13	$0.85	858	517	836	624	$16.26	$16.30
Transportation/Ambulance	$3,603	$2,473	$0	$0	$0.29	$0.25	28	20	27	24	$128.68	$123.63
Total	$2,774,281	$1,753,818	$55,495	$32,470	$229.82	$179.79	38,906	30,876				

Note:
*Plans may not provide complete unit counts for subcapitated encounters, thus Cost/Unit may not be accurate.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development

Health Plan Encounter Data

Historical Eligibility, Claims, and Utilization Data - Family Access to Medical Insurance Security (FAMIS)

Age 1-5												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	120,236	133,866										
Service Type												
DME/Supplies	$73,795	$97,084	$0	$0	$0.61	$0.73	1,317	1,106	131	99	$56.03	$87.78
FQHC / RHC	$40,135	$47,891	$0	$0	$0.33	$0.36	1,545	1,953	154	175	$25.98	$24.52
Home Health	$0	$31	$0	$0	$0.00	$0.00	0	1	-	0	-	$30.75
IP - Maternity	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Newborn	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Other	$788,712	$1,202,740	$0	$0	$6.56	$8.98	274	326	27	29	$2,878.51	$3,689.39
IP - Psych	$0	$6,020	$161,308	$119,254	$1.34	$0.94	0	11	-	1	-	$11,388.53
Lab	$181,081	$170,231	$47,013	$76,038	$1.90	$1.84	19,016	21,221	1,898	1,902	$11.99	$11.60
OP - Emergency Room	$384,579	$435,724	$0	$0	$3.20	$3.25	2,613	2,646	261	237	$147.18	$164.67
OP - Other	$1,661,189	$1,854,316	$0	$0	$13.82	$13.85	6,366	6,522	635	585	$260.95	$284.32
Pharmacy	$1,369,510	$1,613,643	$0	$0	$11.39	$12.05	38,773	41,860	3,870	3,752	$35.32	$38.55
Prof - Anesthesia	$74,126	$96,936	$0	$0	$0.62	$0.72	610	677	61	61	$121.52	$143.18
Prof - Child EPSDT	$420,895	$490,267	$0	$0	$3.50	$3.66	23,838	19,012	2,379	1,704	$17.66	$25.79
Prof - Evaluation & Management	$2,354,629	$2,533,102	$36,495	$4,244	$19.89	$18.95	49,887	53,994	4,979	4,840	$47.93	$46.99
Prof - Maternity	$0	$1,121	$0	$0	$0.00	$0.01	0	2	-	0	-	$560.67
Prof - Other	$493,308	$635,530	$15,892	$19,000	$4.24	$4.89	39,035	88,977	3,896	7,976	$13.04	$7.36
Prof - Psych	$16,388	$21,731	$181,482	$134,168	$1.65	$1.16	671	694	67	62	$294.89	$224.64
Prof - Specialist	$261,353	$301,533	$0	$0	$2.17	$2.25	3,955	3,658	395	328	$66.08	$82.43
Prof - Vision	$20,305	$22,923	$82,815	$107,244	$0.86	$0.97	447	529	45	47	$230.69	$246.06
Radiology	$55,623	$65,447	$0	$0	$0.46	$0.49	3,427	3,881	342	348	$16.23	$16.86
Transportation/Ambulance	$14,014	$18,155	$0	$0	$0.12	$0.14	71	154	7	14	$197.38	$117.89
Total	$8,209,641	$9,614,425	$525,004	$459,948	$72.65	$75.26	191,845	247,224				

Note:
*Plans may not provide complete unit counts for subcapitated encounters, thus Cost/Unit may not be accurate.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development

Health Plan Encounter Data

Historical Eligibility, Claims, and Utilization Data - Family Access to Medical Insurance Security (FAMIS)

Age 6-14												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	190,621	198,775										
Service Type												
DME/Supplies	$204,761	$158,686	$0	$0	$1.07	$0.80	1,695	1,521	107	92	$120.80	$104.33
FQHC / RHC	$63,308	$55,573	$0	$0	$0.33	$0.28	2,569	2,210	162	133	$24.64	$25.15
Home Health	$32	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Maternity	$13,396	$14,793	$0	$0	$0.07	$0.07	6	6	0	0	$2,232.68	$2,465.46
IP - Newborn	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Other	$635,378	$944,121	$0	$0	$3.33	$4.75	184	212	12	13	$3,453.14	$4,453.40
IP - Psych	$121,253	$113,413	$227,481	$175,020	$1.83	$1.45	309	291	19	18	$1,128.59	$991.18
Lab	$201,896	$193,175	$88,836	$118,759	$1.53	$1.57	19,783	21,808	1,245	1,317	$14.70	$14.30
OP - Emergency Room	$350,450	$430,779	$0	$0	$1.84	$2.17	2,102	2,209	132	133	$166.72	$195.01
OP - Other	$2,072,817	$2,019,354	$0	$0	$10.87	$10.16	6,448	6,822	406	412	$321.47	$296.01
Pharmacy	$3,489,836	$3,646,614	$0	$0	$18.31	$18.35	59,667	61,430	3,756	3,709	$58.49	$59.36
Prof - Anesthesia	$70,483	$83,093	$0	$0	$0.37	$0.42	499	513	31	31	$141.25	$161.97
Prof - Child EPSDT	$104,463	$52,889	$0	$0	$0.55	$0.27	29,324	3,435	1,846	207	$3.56	$15.40
Prof - Evaluation & Management	$1,996,910	$2,119,810	$73,654	$6,667	$10.86	$10.70	42,413	45,405	2,670	2,741	$48.82	$46.83
Prof - Maternity	$6,768	$7,254	$0	$0	$0.04	$0.04	7	9	0	1	$966.87	$806.03
Prof - Other	$501,517	$490,761	$29,330	$29,546	$2.78	$2.62	39,780	34,624	2,504	2,090	$13.34	$15.03
Prof - Psych	$239,516	$259,947	$255,931	$196,909	$2.60	$2.30	8,287	7,552	522	456	$59.79	$60.49
Prof - Specialist	$364,692	$367,829	$0	$0	$1.91	$1.85	4,143	4,397	261	265	$88.03	$83.65
Prof - Vision	$45,948	$44,685	$135,159	$160,670	$0.95	$1.03	1,142	2,032	72	123	$158.59	$101.06
Radiology	$113,566	$122,263	$0	$0	$0.60	$0.62	5,638	6,206	355	375	$20.14	$19.70
Transportation/Ambulance	$19,483	$28,852	$0	$0	$0.10	$0.15	118	191	7	12	$165.11	$151.06
Total	$10,616,474	$11,153,891	$810,392	$687,572	$59.95	$59.57	224,114	200,873				

Note:
*Plans may not provide complete unit counts for subcapitated encounters, thus Cost/Unit may not be accurate.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development

Health Plan Encounter Data

Historical Eligibility, Claims, and Utilization Data - Family Access to Medical Insurance Security (FAMIS)

Age 15-18 Female												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	32,203	35,275										
Service Type												
DME/Supplies	$39,352	$27,763	$0	$0	$1.22	$0.79	279	290	104	99	$141.05	$95.73
FQHC / RHC	$17,175	$30,628	$0	$0	$0.53	$0.87	756	1,106	282	376	$22.72	$27.69
Home Health	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Maternity	$257,191	$278,365	$0	$0	$7.99	$7.89	113	120	42	41	$2,276.03	$2,319.71
IP - Newborn	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Other	$128,071	$268,041	$0	$0	$3.98	$7.60	40	62	15	21	$3,201.78	$4,323.24
IP - Psych	$46,996	$59,962	$36,526	$31,586	$2.59	$2.60	121	138	45	47	$690.27	$663.39
Lab	$78,737	$75,902	$15,925	$21,460	$2.94	$2.76	8,269	9,313	3,081	3,168	$11.45	$10.45
OP - Emergency Room	$128,549	$161,854	$0	$0	$3.99	$4.59	626	642	233	218	$205.35	$252.11
OP - Other	$578,281	$676,386	$0	$0	$17.96	$19.17	1,844	2,149	687	731	$313.60	$314.74
Pharmacy	$1,000,342	$1,268,005	$0	$0	$31.06	$35.95	14,249	15,186	5,310	5,166	$70.20	$83.50
Prof - Anesthesia	$38,413	$45,337	$0	$0	$1.19	$1.29	185	214	69	73	$207.64	$211.86
Prof - Child EPSDT	$22,817	$50,194	$0	$0	$0.71	$1.42	975	2,119	363	721	$23.40	$23.69
Prof - Evaluation & Management	$448,797	$500,456	$13,362	$1,236	$14.35	$14.22	9,215	10,193	3,434	3,468	$50.15	$49.22
Prof - Maternity	$129,015	$151,867	$0	$0	$4.01	$4.31	268	303	100	103	$481.40	$501.21
Prof - Other	$95,704	$98,247	$5,264	$5,284	$3.14	$2.93	5,540	6,454	2,064	2,196	$18.23	$16.04
Prof - Psych	$48,863	$60,049	$41,094	$35,536	$2.79	$2.71	1,676	1,812	625	616	$53.67	$52.75
Prof - Specialist	$79,151	$100,451	$0	$0	$2.46	$2.85	1,304	1,223	486	416	$60.70	$82.13
Prof - Vision	$6,170	$6,564	$23,111	$28,626	$0.91	$1.00	153	372	57	127	$191.38	$94.60
Radiology	$74,067	$77,592	$0	$0	$2.30	$2.20	1,900	2,009	708	683	$38.98	$38.62
Transportation/Ambulance	$10,297	$12,351	$0	$0	$0.32	$0.35	93	90	35	31	$110.72	$137.24
Total	$3,227,990	$3,950,016	$135,282	$123,729	$104.44	$115.49	47,606	53,795				

Note:
*Plans may not provide complete unit counts for subcapitated encounters, thus Cost/Unit may not be accurate.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development

Health Plan Encounter Data

Historical Eligibility, Claims, and Utilization Data - Family Access to Medical Insurance Security (FAMIS)

Age 15-18 Male												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	32,045	34,756										
Service Type												
DME/Supplies	$16,515	$24,840	$0	$0	$0.52	$0.71	188	284	70	98	$87.84	$87.46
FQHC / RHC	$9,789	$13,707	$0	$0	$0.31	$0.39	346	503	130	174	$28.29	$27.25
Home Health	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Maternity	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Newborn	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
IP - Other	$108,803	$501,476	$0	$0	$3.40	$14.43	37	75	14	26	$2,940.62	$6,686.35
IP - Psych	$52,417	$45,699	$35,606	$30,952	$2.75	$2.21	131	88	49	30	$671.93	$871.03
Lab	$25,485	$26,512	$16,094	$21,375	$1.30	$1.38	2,568	3,226	962	1,114	$16.19	$14.84
OP - Emergency Room	$93,969	$121,946	$0	$0	$2.93	$3.51	417	461	156	159	$225.35	$264.52
OP - Other	$504,319	$611,336	$0	$0	$15.74	$17.59	1,152	1,404	431	485	$437.78	$435.42
Pharmacy	$546,366	$719,674	$0	$0	$17.05	$20.71	8,796	10,104	3,294	3,489	$62.12	$71.23
Prof - Anesthesia	$12,534	$21,271	$0	$0	$0.39	$0.61	86	121	32	42	$145.75	$175.79
Prof - Child EPSDT	$9,986	$13,451	$0	$0	$0.31	$0.39	3,079	2,852	1,153	985	$3.24	$4.72
Prof - Evaluation & Management	$278,322	$326,434	$13,889	$1,396	$9.12	$9.43	5,689	6,550	2,130	2,261	$51.36	$50.05
Prof - Maternity	$0	$0	$0	$0	$0.00	$0.00	0	0	-	-	-	-
Prof - Other	$262,810	$105,243	$5,297	$5,402	$8.37	$3.18	390,218	4,514	146,126	1,559	$0.69	$24.51
Prof - Psych	$47,437	$51,323	$40,059	$34,823	$2.73	$2.48	1,813	1,576	679	544	$48.26	$54.66
Prof - Specialist	$85,369	$113,482	$0	$0	$2.66	$3.27	825	967	309	334	$103.48	$117.35
Prof - Vision	$3,840	$4,973	$22,999	$28,397	$0.84	$0.96	108	242	40	84	$248.51	$137.89
Radiology	$36,323	$48,320	$0	$0	$1.13	$1.39	1,409	1,807	528	624	$25.78	$26.74
Transportation/Ambulance	$5,420	$13,606	$0	$0	$0.17	$0.39	35	115	13	40	$154.84	$118.31
Total	$2,099,702	$2,763,292	$133,945	$122,345	$69.70	$83.03	416,897	34,889				

Note:
*Plans may not provide complete unit counts for subcapitated encounters, thus Cost/Unit may not be accurate.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development

Health Plan Encounter Data

Historical Eligibility, Claims, and Utilization Data - Family Access to Medical Insurance Security (FAMIS)

All Age Categories												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	387,418	412,608										
Service Type												
DME/Supplies	$355,265	$344,026	$0	$0	$0.92	$0.83	3,741	3,474	116	101	$94.97	$99.03
FQHC / RHC	$136,884	$157,301	$0	$0	$0.35	$0.38	5,471	6,147	169	179	$25.02	$25.59
Home Health	$32	$31	$0	$0	$0.00	$0.00	0	1	-	0	-	$30.75
IP - Maternity	$270,587	$293,158	$0	$0	$0.70	$0.71	119	126	4	4	$2,273.84	$2,326.65
IP - Newborn	$589,549	$322,862	$0	$0	$1.52	$0.78	59	43	2	1	$9,992.36	$7,508.42
IP - Other	$2,106,873	$3,023,873	$0	$0	$5.44	$7.33	615	728	19	21	$3,425.81	$4,153.67
IP - Psych	$220,666	$225,093	$479,827	$365,008	$1.81	$1.43	561	528	17	15	$1,248.65	$1,117.62
Lab	$506,236	$475,918	$171,273	$242,495	$1.75	$1.74	51,503	56,979	1,595	1,657	$13.15	$12.61
OP - Emergency Room	$1,016,173	$1,198,715	$0	$0	$2.62	$2.91	6,165	6,241	191	182	$164.83	$192.07
OP - Other	$5,060,142	$5,359,436	$0	$0	$13.06	$12.99	17,126	17,715	530	515	$295.47	$302.54
Pharmacy	$6,544,074	$7,403,201	$0	$0	$16.89	$17.94	126,400	132,428	3,915	3,851	$51.77	$55.90
Prof - Anesthesia	$209,063	$261,005	$0	$0	$0.54	$0.63	1,462	1,586	45	46	$143.00	$164.57
Prof - Child EPSDT	$788,023	$817,113	$0	$0	$2.03	$1.98	64,886	34,211	2,010	995	$12.14	$23.88
Prof - Evaluation & Management	$5,769,081	$5,913,107	$140,182	$13,870	$15.25	$14.36	118,786	124,782	3,679	3,629	$49.75	$47.50
Prof - Maternity	$135,783	$160,243	$0	$0	$0.35	$0.39	275	314	9	9	$493.76	$510.33
Prof - Other	$1,599,402	$1,489,721	$56,935	$60,394	$4.28	$3.76	483,461	141,853	14,975	4,126	$3.43	$10.93
Prof - Psych	$352,271	$393,133	$539,836	$410,658	$2.30	$1.95	12,448	11,643	386	339	$71.67	$69.04
Prof - Specialist	$842,623	$918,396	$0	$0	$2.17	$2.23	10,773	10,633	334	309	$78.22	$86.37
Prof - Vision	$79,016	$81,623	$272,066	$333,639	$0.91	$1.01	1,939	3,235	60	94	$181.06	$128.37
Radiology	$293,528	$322,050	$0	$0	$0.76	$0.78	13,232	14,420	410	419	$22.18	$22.33
Transportation/Ambulance	$52,817	$75,437	$0	$0	$0.14	$0.18	345	570	11	17	$153.09	$132.35
Total	$26,928,088	$29,235,442	$1,660,118	$1,426,063	$73.79	$74.31	919,367	567,657				

Note:
*Plans may not provide complete unit counts for subcapitated encounters, thus Cost/Unit may not be accurate.

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Pharmacy Adjustment

Exhibit 2a

		FAMIS All Ages	Source
1.	Health Plan Total Drug Cost PMPM	$17.43	FY05-FY06 Health Plan Encounter Data
2.	Health Plan Drug Cost PMPM	$16.79	Health Plan Encounter Analysis
3.	Average Managed Care Copayment per Script	$4.18	From Plan Data
4.	Health Plan Drug Ingredient Cost PMPM	$18.14	= (2.) + ((3.) * scripts / MM)
5.	Change in Average Managed Care Discount	0.3%	From Plan Data
6.	Average Managed Care Rebate	4.1%	From Plan Data
7.	Average Managed Care Dispensing Fee per Script	$1.96	From Plan Data
8.	Average PBM Admin Cost PMPM	$0.04	From Plan Data
9.	Adjusted PMPM with FY08 Pharmacy Pricing Arrangements	$18.02	= (4.) * (1 - (5.)) * (1 - (6.)) + ((7.) * scripts / MM) + (8.)
10.	Applied Managed Care Copayment PMPM	$1.35	= (3.) * scripts / MM
11.	Net Managed Care Cost PMPM	$16.66	= (9.) - (10.)
12.	**Pharmacy Adjustment**	**-4.4%**	= (11.) / (1.) - 1

Virginia Medicaid
FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
OB-GYN Professional Fee Increase Adjustment

Exhibit 2b

			FAMIS Age 15-18 Female	Source
1.	Claims Associated with OB/GYN Procedure Codes	a. Prof - Maternity	$296,026	FY05-FY06 Health Plan Encounter Data
		b. FQHC / RHC	$5,992	
		c. Prof - Specialist	$33,270	
		d. Radiology	$78,990	
2.	% of Claims without 34% fee increase		5.9%	Proportion of July 2004-August 2004 Health Plan Encounter Data
3.	34% Fee Increase, Effective September 2004		34.0%	Provided by DMAS, 34% Increase Effective September 2004
4.	Total % Fee Increase, Effective September 2004		2.0%	Provided by DMAS, 34% Increase Effective September 2004 Applied over Proportion of July 2004-August 2004 Encounters
5.	2.5% Fee Increase, Effective July 2006		2.5%	Provided by DMAS, 2.5% increase effective July 2006
6.	Total % Fee Increase		4.5%	= (4.) + (5.) + (4.) * (5.)
7.	Dollar Increase	a. Prof - Maternity	$13,458	= (1.) * (6.)
		b. FQHC / RHC	$272	
		c. Prof - Specialist	$1,513	
		d. Radiology	$3,591	
8.	Total claims in Service Category	a. Prof - Maternity	$280,883	FY05-FY06 Health Plan Encounter Data
		b. FQHC / RHC	$47,803	
		c. Prof - Specialist	$179,602	
		d. Radiology	$151,659	
9.	**OB-GYN Professional Fee Increase Adjustment**	**a. Prof - Maternity**	**4.8%**	= (7.) / (8.)
		b. FQHC / RHC	**0.6%**	
		c. Prof - Specialist	**0.8%**	
		d. Radiology	**2.4%**	

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
ER Professional Fee Increase Adjustment

Exhibit 2c

			FAMIS All Ages	Source
1.	Claims Associated with ER Procedure Codes	a. FQHC / RHC	$11,951	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$2,312,599	
2.	% Fee Increase Effective FY07		3.0%	Provided by DMAS
3.	Dollar Increase	a. FQHC / RHC	$359	= (1.) * (2.)
		b. Prof - Evaluation & Management	$69,378	
4.	Total claims in Service Category	a. FQHC / RHC	$294,185	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$11,836,239	
5.	**ER Professional Fee Increase Adjustment**	**a. FQHC / RHC**	**0.1%**	= (3.) / (4.)
		b. Prof - Evaluation & Management	**0.6%**	

Virginia Medicaid

Exhibit 2d

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Evaluation and Management Fee Increase Adjustment

			FAMIS All Ages	Source
1.	Claims Associated with E&M Procedure Codes	a. FQHC / RHC	$177,387	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$10,773,256	
2.	% Fee Increase Effective FY07		10.25%	Provided by DMAS*
3.	% Fee Increase Effective FY08		10.00%	Provided by DMAS*
4.	Dollar Increase	a. FQHC / RHC	$37,739	=((1+(2.)) * (1+(3.)) - 1) * (4.)
		b. Prof - Evaluation & Management	$2,292,010	
5.	Total claims in Service Category	a. FQHC / RHC	$294,185	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$11,836,239	
6.	**E&M Fee Increase Adjustment**	**a. FQHC / RHC**	**12.8%**	= (4.) / (5.)
		b. Prof - Evaluation & Management	**19.4%**	

* Note:

Pediatric services include two 5% (effective 5/1/06 and 7/1/06) and a 10% (effective 7/1/07) increase for a compounded increase of 21.3%.

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Exhibit 2e

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Professional Fee Increase Adjustment (Excluding Pediatric and OB-GYN services)

			FAMIS All Ages	Source
1.	Claims Associated with Professional Services*	a. Prof - Evaluation & Management	$1,291,468	FY05-FY06 Health Plan Encounter Data
		b. Prof - Specialist	$1,727,748	
		c. All Other Professional Categories	$7,743,896	
2.	% Fee Increase Effective FY08		5.00%	Provided by DMAS
3.	Dollar Increase	a. Prof - Evaluation & Management	$64,573	= (1.) * (2.)
		b. Prof - Specialist	$86,387	
		c. All Other Professional Categories	$387,195	
4.	Total claims in Service Category	a. Prof - Evaluation & Management	$11,836,239	FY05-FY06 Health Plan Encounter Data
		b. Prof - Specialist	$1,761,019	
		c. All Other Professional Categories	$7,743,896	
5.	**Professional Fee Increase Adjustment**	**a. Prof - Evaluation & Management**	**0.5%**	= (3.) / (4.)
		b. Prof - Specialist	**4.9%**	
		c. All Other Professional Categories	**5.0%**	

* Note:
Claims associated with OB-GYN and Pediatric E&M procedure codes have been excluded from this adjustment.

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Exempt Infant Formula Carveout Adjustment

Exhibit 2f

		FAMIS Age 0-5	FAMIS Age 6-18	Source
1.	Claims Associated with Exempt Infant Formula	$9,847	$13,175	FY05-FY06 Health Plan Encounter Data
2.	Total Claims in DME/Supplies Service Category	$227,373	$471,918	FY05-FY06 Health Plan Encounter Data
3.	Number of Months Effective*	12	9	Provided by DMAS
4.	**Exempt Infant Formula Carveout Adjustment**	**-4.3%**	**-2.1%**	= ((1.) / (2.) +1) ^ ((3.) / 12) - 1

* Note:
Exempt infant formula carveout is effective 10/1/2007 for children ages 6-18.

Virginia Medicaid

Exhibit 2g

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Other Immunization Adjustments

		FAMIS Age Under 1	FAMIS Age 1-5	FAMIS Age 6-14	Source
1.	Average Members in Rate Cell	927	10,588	16,225	Provided by DMAS
2.	Assumed Compliance Rate	68.0%	68.0%	34.5%	Provided by DMAS
3.	Assumed Penetration	94.6%	48.5%	20.0%	Provided by DMAS
4.	Estimated Administration Cost	$44.00	$22.00	$22.00	Provided by DMAS
5.	Estimated Serum Cost	$200.95	$82.31	$177.36	Provided by DMAS
6.	Dollar Increase	$146,016	$364,315	$223,186	= (1.) * (2.) * (3.) * ((4.) + (5.))
7.	Total claims in Prof - Evaluation & Management Service Category	$1,126,838	$4,928,469	$4,197,041	FY05-FY06 Health Plan Encounter Data
8.	**Other Immunization Adjustments**	**13.0%**	**7.4%**	**5.3%**	= (6.) / (7.)

Notes (Included Vaccines):

Rotavirus vaccine - 3 Doses (age under 1); effective December 1, 2006

Influenza vaccine (age 6-59 months); effective December 1, 2006

Varicella vaccine (recommended second dose at age 4-6); effective December 1, 2006

Meningococcal vaccine (age 11-12); effective December 1, 2005

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
HPV Vaccine Adjustment

Exhibit 2h

		FAMIS Age 6-18	Source
1.	Average Members in Rate Cell	19,036	Provided by DMAS
2.	Assumed Penetration*	10.0%	
3.	Estimated Administration Cost	$33.00	Provided by DMAS
4.	Estimated Serum Cost	$360.00	Provided by DMAS
5.	Dollar Increase	$748,130	= (1.) * (2.) * ((3.) + (4.))
6.	Total claims in Prof - Evaluation & Management Service Category	$5,780,931	FY05-FY06 Health Plan Encounter Data
7.	**HPV Vaccine Adjustment**	**12.9%**	= (5.) / (6.)

*Note:
Assumed penetration is 25% adjusted for the proportion of females in the rate cell who will receive the HPV vaccine.

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Hospital Inpatient Adjustments

Exhibit 2i

		Inpatient Medical/Surgical	Inpatient Psychiatric	Source
1.	FY05 Hospital Inpatient Operating Adjustment Factor	71.9%	71.9%	Provided by DMAS
	FY06 Hospital Inpatient Operating Adjustment Factor	76.0%	76.0%	
2.	FY05 Inpatient Claims	$2,967,009	$220,666	FY05-FY06 Health Plan Encounter Data
	FY06 Inpatient Claims	$3,639,893	$225,093	
3.	FY05-06 Hospital Inpatient Operating Adjustment Factor	74.2%	74.0%	Weighted Average of FY05-06
4.	FY08 Hospital Inpatient Operating Adjustment Factor	78.0%	84.0%	Provided by DMAS
5.	FY08 Hospital Capital Percentage	10.8%	10.8%	Provided by DMAS
6.	**Hospital Inpatient Adjustment**	**4.6%**	**12.1%**	= (((4.) / (3.)) * (1 - (5.)) + (5.)) - 1

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Rural Wage Index Adjustment

Exhibit 2j

		FAMIS All Ages	Source
1.	Estimated Impact of Adjustment	$536,604	Provided by DMAS
2.	Total Claims in IP - Other Service Category	$242,205,664	FY05-FY06 Health Plan Encounter Data (Medallion II statewide)
3.	**Rural Wage Index Adjustment**	**0.2%**	= (1.) / (2.)

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Provider Incentive Payment Adjustment

Exhibit 2k

	Adjustment Value	Source
Provider Incentive Payment Adjustment	**4.1%**	From Plan Data

Virginia Medicaid
FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Administrative Cost Adjustment

Exhibit 2I

	Adjustment Value	Source
Administrative Factor	**8.66%**	Based on Plan Data Weighted by member months

Virginia Medicaid

FY 2008 FAMIS Capitation Rate Development
Health Plan Encounter Data
Trend and Incurred But Not Reported (IBNR) Adjustments - FAMIS

Exhibit 3

	All Age Categories			
Category of Service	**IBNR Adjustment**	**Data Period Cost and Utilization Trend**	**Contract Period Cost and Utilization Trend**	**Total Trend & IBNR**
Inpatient Medical/Surgical	0.0%	3.0%	5.5%	1.1166
Inpatient Psychiatric	0.0%	3.0%	3.0%	1.0767
Outpatient Hospital	0.2%	5.0%	4.5%	1.1240
Practitioner	0.2%	-1.0%	1.0%	1.0072
Prescription Drug	0.0%	5.0%	6.5%	1.1540
Other	0.2%	-3.5%	0.0%	0.9666
Weighted Average*	**0.1%**	**1.9%**	**3.4%**	**1.0734**
Months of Trend Applied		12	18	

*Weighted average is calculated using a distribution by Service Type, before Trend (Adjusted FY05-06 Claims)

Trend rates for managed care plans are calculated based on regression studies of historical health plan data.
Trend rates have been calculated separately for the broad service categories shown above. For Inpatient services utilization rates were based on claim/discharge counts. For all other services, regressions were based on PMPM costs.

Data period trend are applied from the midpoint of the data period to the end of the data period using compound interest calculations. Contract period trends are applied from the end of the data period to the midpoint of the contract period using compound interest.

Total Trend = [(1+IBNR Adjustment) * (1 + data period trend) ^ (months/12) * (1 + contract period trend) ^ (months/12)]

Virginia Medicaid

Exhibit 4

FY 2008 Capitation Rate Development
Capitation Rate Calculations - Health Plan Encounter Data
Family Access to Medical Insurance Security (FAMIS)

Age Under 1							
Statewide	Total Claims FY05-06	Patient Copay	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08 Based on FY05-06
Service Type							
DME/Supplies	$56,494	$214	($2,447)	$54,262	1.007	$54,651	$2.46
FQHC / RHC	$15,980	$1,209	$2,069	$19,258	1.007	$19,397	$0.87
Home Health	$0	$0		$0	1.124	$0	$0.00
IP - Maternity	$0	$0		$0	1.117	$0	$0.00
IP - Newborn	$912,411	$2,294	$41,935	$956,641	1.117	$1,068,206	$48.01
IP - Other	$553,404	$3,075	$26,661	$583,139	1.117	$651,146	$29.27
IP - Psych	$27,102	$0	$3,269	$30,371	1.077	$32,701	$1.47
Lab	$37,402	$5,412		$42,814	0.967	$41,382	$1.86
OP - Emergency Room	$107,037	$6,175		$113,213	1.124	$127,246	$5.72
OP - Other	$441,583	$9,632		$451,215	1.124	$507,145	$22.79
Pharmacy	$293,284	$36,808	($12,942)	$317,149	1.154	$365,997	$16.45
Prof - Anesthesia	$27,876	$0	$1,394	$29,270	1.007	$29,480	$1.33
Prof - Child EPSDT	$440,174	$0	$22,009	$462,183	1.007	$465,503	$20.92
Prof - Evaluation & Management	$1,126,838	$62,753	$376,973	$1,566,564	1.007	$1,577,817	$70.92
Prof - Maternity	$0	$0		$0	1.007	$0	$0.00
Prof - Other	$408,315	$13,400	$20,416	$442,131	1.007	$445,307	$20.01
Prof - Psych	$30,642	$30	$1,532	$32,204	1.007	$32,435	$1.46
Prof - Specialist	$87,159	$1,697	$4,276	$93,132	1.007	$93,801	$4.22
Prof - Vision	$21,911	$283	$1,096	$23,289	1.007	$23,457	$1.05
Radiology	$22,377	$5,251		$27,628	0.967	$26,704	$1.20
Transportation/Ambulance	$6,076	$51		$6,127	0.967	$5,922	$0.27
Provider Incentive Payment Adjustment							$10.19
Total	$4,616,064	$148,285	$486,240	$5,250,590		$5,568,296	$260.46

Virginia Medicaid

Exhibit 4

FY 2008 Capitation Rate Development
Capitation Rate Calculations - Health Plan Encounter Data
Family Access to Medical Insurance Security (FAMIS)

Age 1-5							
Statewide	Total Claims FY05-06	Patient Copay	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08 Based on FY05-06
Service Type							
DME/Supplies	$170,880	$786	($7,400)	$164,265	1.007	$165,445	$0.65
FQHC / RHC	$88,025	$7,436	$11,399	$106,861	1.007	$107,628	$0.42
Home Health	$31	$5		$36	1.124	$40	$0.00
IP - Maternity	$0	$0		$0	1.117	$0	$0.00
IP - Newborn	$0	$0		$0	1.117	$0	$0.00
IP - Other	$1,991,452	$13,530	$95,940	$2,100,922	1.117	$2,345,935	$9.23
IP - Psych	$286,582	$40	$34,572	$321,193	1.077	$345,828	$1.36
Lab	$474,363	$72,004		$546,367	0.967	$528,099	$2.08
OP - Emergency Room	$820,303	$48,042		$868,345	1.124	$975,981	$3.84
OP - Other	$3,515,504	$59,451		$3,574,955	1.124	$4,018,090	$15.81
Pharmacy	$2,983,153	$339,433	($131,642)	$3,190,944	1.154	$3,682,416	$14.49
Prof - Anesthesia	$171,062	$0	$8,553	$179,615	1.007	$180,905	$0.71
Prof - Child EPSDT	$911,162	$0	$45,558	$956,720	1.007	$963,592	$3.79
Prof - Evaluation & Management	$4,928,469	$359,419	$1,374,457	$6,662,345	1.007	$6,710,200	$26.41
Prof - Maternity	$1,121	$4		$1,126	1.007	$1,134	$0.00
Prof - Other	$1,163,729	$55,605	$58,186	$1,277,521	1.007	$1,286,697	$5.06
Prof - Psych	$353,770	$4,664	$17,688	$376,122	1.007	$378,824	$1.49
Prof - Specialist	$562,885	$17,136	$27,613	$607,634	1.007	$611,998	$2.41
Prof - Vision	$233,288	$2,772	$11,664	$247,724	1.007	$249,503	$0.98
Radiology	$121,070	$27,052		$148,122	0.967	$143,169	$0.56
Transportation/Ambulance	$32,170	$299		$32,469	0.967	$31,383	$0.12
Provider Incentive Payment Adjustment							$3.64
Total	$18,809,018	$1,007,678	$1,546,588	$21,363,284		$22,726,868	$93.08

Virginia Medicaid

Exhibit 4

FY 2008 Capitation Rate Development
Capitation Rate Calculations - Health Plan Encounter Data
Family Access to Medical Insurance Security (FAMIS)

Age 6-14							
Statewide	Total Claims FY05-06	Patient Copay	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08 Based on FY05-06
Service Type							
DME/Supplies	$363,448	$1,102	($7,584)	$356,966	1.007	$359,530	$0.92
FQHC / RHC	$118,881	$10,961	$15,395	$145,237	1.007	$146,280	$0.38
Home Health	$32	$0		$32	1.124	$36	$0.00
IP - Maternity	$28,189	$270	$1,296	$29,754	1.117	$33,224	$0.09
IP - Newborn	$0	$0		$0	1.117	$0	$0.00
IP - Other	$1,579,500	$8,735	$76,094	$1,664,328	1.117	$1,858,425	$4.77
IP - Psych	$637,168	$2,265	$76,864	$716,297	1.077	$771,234	$1.98
Lab	$602,667	$73,092		$675,759	0.967	$653,165	$1.68
OP - Emergency Room	$781,229	$39,379		$820,607	1.124	$922,326	$2.37
OP - Other	$4,092,170	$59,033		$4,151,203	1.124	$4,665,767	$11.98
Pharmacy	$7,136,450	$489,504	($314,922)	$7,311,033	1.154	$8,437,085	$21.67
Prof - Anesthesia	$153,575	$0	$7,679	$161,254	1.007	$162,412	$0.42
Prof - Child EPSDT	$157,353	$0	$7,868	$165,220	1.007	$166,407	$0.43
Prof - Evaluation & Management	$4,197,041	$297,805	$1,626,567	$6,121,413	1.007	$6,165,382	$15.83
Prof - Maternity	$14,022	$23		$14,045	1.007	$14,146	$0.04
Prof - Other	$1,051,154	$54,484	$52,558	$1,158,196	1.007	$1,166,515	$3.00
Prof - Psych	$952,304	$56,746	$47,615	$1,056,665	1.007	$1,064,255	$2.73
Prof - Specialist	$732,521	$17,256	$35,934	$785,711	1.007	$791,355	$2.03
Prof - Vision	$386,463	$9,327	$19,323	$415,113	1.007	$418,095	$1.07
Radiology	$235,829	$39,484		$275,313	0.967	$266,108	$0.68
Transportation/Ambulance	$48,336	$506		$48,842	0.967	$47,209	$0.12
Provider Incentive Payment Adjustment							$2.94
Total	$23,268,329	$1,159,972	$1,644,688	$26,072,989		$28,108,957	$75.13

Virginia Medicaid

Exhibit 4

FY 2008 Capitation Rate Development
Capitation Rate Calculations - Health Plan Encounter Data
Family Access to Medical Insurance Security (FAMIS)

Age 15-18 Female							
Statewide	Total Claims FY05-06	Patient Copay	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08 Based on FY05-06
Service Type							
DME/Supplies	$67,115	$199	($1,400)	$65,914	1.007	$66,387	$0.98
FQHC / RHC	$47,803	$4,094	$6,463	$58,360	1.007	$58,779	$0.87
Home Health	$0	$0		$0	1.124	$0	$0.00
IP - Maternity	$535,556	$5,175	$24,614	$565,346	1.117	$631,277	$9.36
IP - Newborn	$0	$0		$0	1.117	$0	$0.00
IP - Other	$396,112	$2,230	$19,083	$417,425	1.117	$466,106	$6.91
IP - Psych	$175,070	$1,210	$21,119	$197,399	1.077	$212,539	$3.15
Lab	$192,025	$33,371		$225,396	0.967	$217,860	$3.23
OP - Emergency Room	$290,404	$11,703		$302,107	1.124	$339,554	$5.03
OP - Other	$1,254,667	$17,908		$1,272,575	1.124	$1,430,317	$21.20
Pharmacy	$2,268,348	$116,826	($100,099)	$2,285,075	1.154	$2,637,024	$39.08
Prof - Anesthesia	$83,750	$0	$4,188	$87,938	1.007	$88,569	$1.31
Prof - Child EPSDT	$73,010	$0	$3,651	$76,661	1.007	$77,212	$1.14
Prof - Evaluation & Management	$963,850	$63,755	$322,286	$1,349,891	1.007	$1,359,588	$20.15
Prof - Maternity	$280,883	$810	$13,458	$295,151	1.007	$297,271	$4.41
Prof - Other	$204,500	$10,719	$10,225	$225,444	1.007	$227,063	$3.37
Prof - Psych	$185,542	$11,840	$9,277	$206,659	1.007	$208,144	$3.08
Prof - Specialist	$179,602	$5,328	$10,323	$195,253	1.007	$196,656	$2.91
Prof - Vision	$64,472	$1,636	$3,224	$69,332	1.007	$69,830	$1.03
Radiology	$151,659	$12,344	$3,591	$167,594	0.967	$161,991	$2.40
Transportation/Ambulance	$22,648	$209		$22,858	0.967	$22,094	$0.33
Provider Incentive Payment Adjustment							$5.29
Total	$7,437,016	$299,357	$350,003	$8,086,376		$8,768,259	$135.23

Virginia Medicaid

Exhibit 4

FY 2008 Capitation Rate Development
Capitation Rate Calculations - Health Plan Encounter Data
Family Access to Medical Insurance Security (FAMIS)

Age 15-18 Male							
Statewide	Total Claims FY05-06	Patient Copay	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08 Based on FY05-06
Service Type							
DME/Supplies	$41,355	$161	($863)	$40,652	1.007	$40,944	$0.61
FQHC / RHC	$23,496	$1,911	$3,043	$28,450	1.007	$28,654	$0.43
Home Health	$0	$0		$0	1.124	$0	$0.00
IP - Maternity	$0	$0		$0	1.117	$0	$0.00
IP - Newborn	$0	$0		$0	1.117	$0	$0.00
IP - Other	$610,279	$2,460	$29,401	$642,140	1.117	$717,027	$10.73
IP - Psych	$164,673	$1,060	$19,865	$185,599	1.077	$199,833	$2.99
Lab	$89,466	$9,790		$99,256	0.967	$95,937	$1.44
OP - Emergency Room	$215,915	$7,798		$223,713	1.124	$251,443	$3.76
OP - Other	$1,115,654	$11,213		$1,126,867	1.124	$1,266,548	$18.96
Pharmacy	$1,266,040	$73,821	($55,869)	$1,283,992	1.154	$1,481,754	$22.18
Prof - Anesthesia	$33,805	$0	$1,690	$35,495	1.007	$35,750	$0.54
Prof - Child EPSDT	$23,437	$0	$1,172	$24,609	1.007	$24,786	$0.37
Prof - Evaluation & Management	$620,041	$41,692	$127,084	$788,816	1.007	$794,482	$11.89
Prof - Maternity	$0	$0		$0	1.007	$0	$0.00
Prof - Other	$378,753	$9,243	$18,938	$406,934	1.007	$409,857	$6.14
Prof - Psych	$173,642	$11,632	$8,682	$193,956	1.007	$195,349	$2.92
Prof - Specialist	$198,851	$3,853	$9,755	$212,459	1.007	$213,985	$3.20
Prof - Vision	$60,209	$1,025	$3,010	$64,245	1.007	$64,706	$0.97
Radiology	$84,643	$10,214		$94,857	0.967	$91,686	$1.37
Transportation/Ambulance	$19,025	$173		$19,198	0.967	$18,556	$0.28
Provider Incentive Payment Adjustment							$3.62
Total	$5,119,284	$186,045	$165,908	$5,471,238		$5,931,299	$92.41

Virginia Medicaid

Exhibit 4

FY 2008 Capitation Rate Development
Capitation Rate Calculations - Health Plan Encounter Data
Family Access to Medical Insurance Security (FAMIS)

All Age Categories							
Statewide	Total Claims FY05-06	Patient Copay	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08 Based on FY05-06
Service Type							
DME/Supplies	$699,291	$2,462	($19,694)	$682,059	1.007	$686,958	$0.86
FQHC / RHC	$294,185	$25,611	$38,370	$358,166	1.007	$360,739	$0.45
Home Health	$63	$5	$0	$68	1.124	$76	$0.00
IP - Maternity	$563,745	$5,445	$25,910	$595,100	1.117	$664,502	$0.83
IP - Newborn	$912,411	$2,294	$41,935	$956,641	1.117	$1,068,206	$1.34
IP - Other	$5,130,746	$30,030	$247,178	$5,407,954	1.117	$6,038,639	$7.55
IP - Psych	$1,290,594	$4,575	$155,690	$1,450,860	1.077	$1,562,135	$1.95
Lab	$1,395,922	$193,669	$0	$1,589,591	0.967	$1,536,444	$1.92
OP - Emergency Room	$2,214,888	$113,097	$0	$2,327,985	1.124	$2,616,551	$3.27
OP - Other	$10,419,578	$157,237	$0	$10,576,815	1.124	$11,887,868	$14.86
Pharmacy	$13,947,275	$1,056,392	($615,474)	$14,388,193	1.154	$16,604,277	$20.75
Prof - Anesthesia	$470,068	$0	$23,503	$493,571	1.007	$497,117	$0.62
Prof - Child EPSDT	$1,605,136	$0	$80,257	$1,685,393	1.007	$1,697,499	$2.12
Prof - Evaluation & Management	$11,836,239	$825,424	$3,827,367	$16,489,030	1.007	$16,607,469	$20.76
Prof - Maternity	$296,026	$837	$13,458	$310,321	1.007	$312,550	$0.39
Prof - Other	$3,206,451	$143,451	$160,323	$3,510,225	1.007	$3,535,438	$4.42
Prof - Psych	$1,695,899	$84,912	$84,795	$1,865,606	1.007	$1,879,006	$2.35
Prof - Specialist	$1,761,019	$45,270	$87,900	$1,894,189	1.007	$1,907,794	$2.38
Prof - Vision	$766,343	$15,043	$38,317	$819,703	1.007	$825,591	$1.03
Radiology	$615,578	$94,345	$3,591	$713,514	0.967	$689,658	$0.86
Transportation/Ambulance	$128,255	$1,239	$0	$129,493	0.967	$125,164	$0.16
Provider Incentive Payment Adjustment							$3.62
Total	$59,249,712	$2,801,337	$4,193,427	$66,244,476		$71,103,680	$92.50

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Exhibit 5a

FY 2008 Capitation Rate Development
Health Plan Encounter Data
Summary of FY 2008 Base Capitation Rates Below & Above 150% Federal Poverty Level

Age Group	Combined Base Rates	Copay Value PMPM FAMIS <=150%	Copay Value PMPM FAMIS >150%	Admin Cost Adjustment	Statewide FAMIS <=150% Total with Admin	Statewide FAMIS >150% Total with Admin
Under 1	$260.46	$1.94	$4.69	8.66%	$283.04	$280.03
1-5	$93.08	$2.00	$4.88	8.66%	$99.72	$96.56
6-14	$75.13	$2.02	$4.97	8.66%	$80.04	$76.80
Female 15-18	$135.23	$2.05	$4.98	8.66%	$145.82	$142.60
Male 15-18	$92.41	$2.06	$5.04	8.66%	$98.91	$95.66
Average					$99.76	$95.64

Note: Average is based on health plan enrollment distribution as of February 2007.

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Exhibit 5b

FY 2008 Capitation Rate Development
Health Plan Encounter Data
Comparison of FAMIS Capitation Rates FY 2007 v. FY 2008

		Statewide					
	Aid Category	**FAMIS <=150%**			**FAMIS >150%**		
	Age Group	**FY 2007**	**FY 2008**	**% Difference**	**FY 2007**	**FY 2008**	**% Difference**
FAMIS	Under 1	$292.87	$283.04	-3.35%	$289.88	$280.03	-3.40%
	1-5	$101.65	$99.72	-1.90%	$98.53	$96.56	-1.99%
	6-14	$82.30	$80.04	-2.74%	$79.07	$76.80	-2.87%
	Female 15-18	$145.75	$145.82	0.05%	$142.52	$142.60	0.06%
	Male 15-18	$95.52	$98.91	3.55%	$92.25	$95.66	3.69%
	Average	$101.43	$99.76	-1.66%	$97.35	$95.64	-1.76%

Note: Average is based on health plan enrollment distribution as of February 2007.